



September 14, 2006

Mr. Charles Terreni  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
P. O. Drawer 11649  
Columbia, South Carolina 29211

RE: PSC Docket No. \_\_\_\_\_

Dear Mr. Terreni:

Attached please find Carolina Power & Light Company's d/b/a Progress Energy Carolinas, Inc.'s ("PEC") Petition for an Accounting Order to Defer Certain Environmental Compliance Costs.

**THIS DOCUMENT IS AN EXACT DUPLICATE, WITH THE EXCEPTION OF THE FORM OF THE SIGNATURE, OF THE E-FILED COPY SUBMITTED TO THE COMMISSION IN ACCORDANCE WITH ITS ELECTRONIC FILING INSTRUCTIONS.**

Sincerely,

/s/

Len S. Anthony  
Deputy General Counsel – Regulatory Affairs

LSA:mhm

Attachment

238553

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**

**DOCKET NO. \_\_\_\_\_**

IN RE:	)	<b>PROGRESS ENERGY CAROLINAS,</b>
	)	<b>INC.'S PETITION FOR AN</b>
Petition of Progress Energy Carolinas,	)	<b>ACCOUNTING ORDER TO DEFER</b>
Inc. For An Accounting Order To Defer	)	<b>CERTAIN ENVIRONMENTAL</b>
Certain Environmental Compliance Costs	)	<b>COMPLIANCE COSTS</b>

Pursuant to Rules 103-830 and 103-836 of the Public Service Commission of South Carolina ("The Commission") and S.C. Code Ann. §§ 58-3-140, 58-27-140, 58-27-230, and 58-27-1550, Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc. ("PEC") petitions the Commission to issue an accounting order for regulatory accounting purposes authorizing PEC to create a deferred account for estimated environmental expenses incurred by PEC and allow the amortization of such costs over five years. In support of this petition, PEC shows the following:

- 1) PEC is a corporation, duly organized and existing under the laws of the State of North Carolina, authorized to do business in South Carolina. Its principal office is located at 410 South Wilmington Street, P. O. Box 1551, Raleigh, NC 27602-1551. PEC is a public utility engaged in the business of developing, generating, transmitting, distributing and selling electric power in North and South Carolina.

- 2) The attorneys for PEC to whom all correspondence should be addressed are:

Len S. Anthony  
Manager – Regulatory Affairs  
Progress Energy Service Company  
410 S. Wilmington Street/PEB 17A4  
Raleigh, North Carolina 27602

Kendal Bowman  
Associate General Counsel  
Progress Energy Service Company  
410 S. Wilmington Street/PEB 17A4  
Raleigh, North Carolina 27602

- 3) PEC has been associated with several environmental remediation sites, including eight former manufactured gas plant (MGP) sites and two transformer sites that have required or are anticipated to require investigation and/or remediation. Processes performed at these sites included the production of various waste products which often were disposed of onsite in accordance with standard operating practice at the time, but their existence has raised concerns under current environmental laws and standards. Federal and state environmental agencies today are focusing on many former sites for investigation of potential environmental hazards associated with the waste products. Additional sites may arise as a result of the increased focus by these agencies. PEC is working closely with the appropriate agencies, including the South Carolina Department of Health and Environmental Control (DHEC), to address the conditions. PEC is working with other potentially responsible parties to share the cost of addressing conditions at the sites as appropriate.
- 4) In accordance with generally accepted accounting principles (GAAP), PEC is required to accrue for losses associated with these environmental remediation

obligations when such losses are probable and reasonably estimable, which is often well before the expense is actually incurred. The current amount of such remediation expenses for which PEC is responsible that are probable and reasonably estimable for PEC is \$21M. The South Carolina jurisdictional amount is \$3M. (Please see Attachment 1 for the calculation of these amounts.) While the purpose of this GAAP treatment is to ensure timely recognition of loss contingencies pertaining to prior events or conditions, as just mentioned, it does not match recognition of the expense for financial reporting purposes with actual expenditures.

- 5) Thus, PEC petitions the Commission to allow it to establish a deferred account to which it may charge \$3 million (on a South Carolina basis) of estimated environmental accruals including investigation, remediation, and pollution prevention activities associated with the eight identified MGP sites and two identified transformer sites, net of insurance proceeds. PEC requests that such deferrals be amortized to cost of service over a five-year period beginning January 1, 2007. Such amounts amortized to cost of service would be included in surveillance reporting and could be included in future base rate filings.
- 6) The proposed deferral and amortization treatment will result in expense for cost of service that is less subject to the volatility associated with the nature of the costs and related to ongoing changes in estimates.
- 7) The Commission's granting of this request does not involve a change to any CP&L rate or price and does not involve any Commission rule, regulation or



policy. This accounting order will be in effect for a five-year period beginning January 1, 2007.

WHEREFORE, PEC petitions the Commission to: allow it to establish a deferred account to which it may charge \$3 million (on a South Carolina basis) of estimated environmental accruals for the sites described above and amortize such deferrals to cost of service over a five-year period beginning January 1, 2007. Such amounts amortized to cost of service would be included in surveillance reporting and could be included in future base rate filings.

Respectfully submitted this the 14th day of September, 2006.

PROGRESS ENERGY CAROLINAS, INC.

BY:                     /s/                      
Len S. Anthony  
Manager – Regulatory Affairs  
Progress Energy Service Company  
410 S. Wilmington Street/PEB 17A4  
Raleigh, North Carolina 27602

**Attachment 1**

**PROGRESS ENERGY CAROLINAS  
ENVIRONMENTAL REMEDIATION ANALYSIS - Total System  
AS OF AUGUST 31, 2006**

<b>Site</b>	<b>Total System Accruals as of August 31, 2006 (in thousands)</b>
ASHEVILLE MGP	(12)
FAYETTEVILLE MGP	(425)
GOLDSBORO MGP	(2,008)
KINSTON MGP	(1,000)
PH NEW BERN MGP	(616)
RALEIGH NO. 1 MGP	(1,696)
PH WASHINGTON MGP	(1,605)
WILMINGTON MGP	(1,241)
WARD TRANSFORMER	(12,095)
CAROLINA TRANSFORMER	- *
OTHER INTERNAL LABOR/INCREMENTAL COSTS	(470)
<b>TOTAL</b>	<b>(21,168)</b>

**PROGRESS ENERGY CAROLINAS  
ENVIRONMENTAL REMEDIATION ANALYSIS - SC JURISDICTION  
AS OF AUGUST 31, 2006**

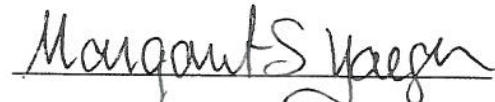
<b>Site</b>	<b>SC Portion Accruals as of August 31, 2006 (in thousands)</b>
ASHEVILLE MGP	(2)
FAYETTEVILLE MGP	(60)
GOLDSBORO MGP	(283)
KINSTON MGP	(141)
PH NEW BERN MGP	(87)
RALEIGH NO. 1 MGP	(239)
PH WASHINGTON MGP	(227)
WILMINGTON MGP	(175)
WARD TRANSFORMER	(1,707)
CAROLINA TRANSFORMER	- *
OTHER INTERNAL LABOR/INCREMENTAL COSTS	(66)
<b>TOTAL</b>	<b>\$ (2,987)</b>

\* We do not have the information available at this time to estimate PEC's share of the reimbursement for remediation of the Carolina Transformer site. Therefore, no amounts have been accrued at this time.

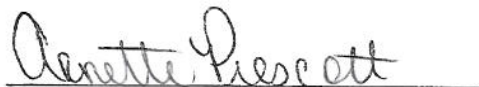
**VERIFICATION**

STATE OF SOUTH CAROLINA

The undersigned, Margaret S. Yaeger, being first duly sworn, deposes and says that she is Controller, for Progress Energy Carolinas Inc.; that she has read the foregoing Petition for An Accounting Order To Defer Certain Environmental Compliance Costs, knows the contents thereof; that the same are true of her own knowledge, except as to those matters stated on information and belief, and as to those matters, she believes them to be true.

  
MARGARET S. YAEGER

Sworn to and subscribed before me  
this 13th day of September 2006.

  
\_\_\_\_\_

Notary Public

My Commission Expires: June 26, 2011

(SEAL)  
June  
26  
2011